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THE Demand and Price SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
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CONTENTS

SUMMARY

Prospects for crop production this year are prominent in the present demand and price situation. Although production of wheat, hay, and several other crops will be large, and pasture conditions are better than average, production of feed grains will be substantially smaller than last year. Total production of all crops this year was indicated on July 1 and 15 to be 2 percent less than in 1946.

These prospects tend to support prices for farm products, but may change the relationships between prices of individual products. Greatest strength will probably be in feed grains and meats.

Industrial production has fallen slightly, but total employment and income remain high. Foreign demand, too, continues strong. Although it may eventually be reduced by lack of financing, prospects are that agricultural exports will not fall off rapidly during the rest of 1947 and will be as large a total in 1947 as in 1946.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base period	1946 Year	1946 May	1947 Mar.	1947 Apr.	1947 May	1947 June
Industrial Production 1/	1935-39						
Total	= 100	170	159	190	187	185	183
All manufactures	"	177	167	198	194	191	189
Durable goods	"	192	175	225	222	218	217
Nondurable goods	"	165	161	176	172	170	167
Minerals	"	134	115	148	143	152	149
Construction activity 1/	1935-39						
Contracts, total	= 100	263	294	230	232	221	
Contracts, residential	"	343	439	316	301	270	
Wholesale prices 2/	1935-39						
All commodities	= 100	150	138	185	183	182	183
All commodities except farm and food	"	135	128	161	162	162	162
Farm products	"	196	181	240	233	231	234
Food	"	165	141	212	205	202	205
Prices received and paid by farmers 3/	1910-14 = 100						
Prices received, all prod.	"	233	211	280	276	272	271
Prices paid, int. and taxes	"	194	185	227	230	229	231
Parity ratio	"	120	114	123	120	119	117
Consumers' price 5/ 6/	1935-39						
Total	= 100	139	132	156	156	156	157*
Food	"	160	143	190	188	188	190
Nonfood	"	128	126	138	138	138	
Income	1935-39						
Nonagricultural payments 4/	= 100	239	234	254	253	256	
Income of industrial workers 3/	"	270	252	313	310	314	
Factory payrolls 5/	"	284	270	334	331	332	
Weekly earnings of factory workers 5/	Dollars						
All manufacturing	"	43.73	42.51	47.72	47.50	48.86	
Durable goods	"	46.48	45.10	50.33	50.34	52.63	
Nondurable goods	"	41.01	39.93	44.90	44.42	44.75	
Employment							
Total civilian 7/	Millions	55.2	54.8	56.1	56.7	58.3	60.1
Nonagricultural 7/	"	46.9	45.9	48.8	48.8	49.3	49.7
Agricultural 7/	"	8.3	8.9	7.3	7.9	9.0	10.4
Government finance (Federal) 8/	Mil. dol.						
Receipts, net	"	3,467	2,733	5,701	2,556	2,865	5,473
Expenditures	"	3,817	3,677	3,492	3,981	4,466	4,570

Annual data for the years 1929-46 appear on page 11 of the April 1947 issue of the Demand and Price Situation.

Sources: 1/ Federal Reserve Board, converted to 1935-39 base. 2/ U. S. Dept. of Labor, BLS. 3/ U. S. Dept. of Agriculture, BAE. To convert prices received and prices paid, interest and taxes to the 1935-39 base, multiply by .93110 and .78125 respectively. 4/ U. S. Dept. of Commerce. 5/ U. S. Dept. of Labor, BLS. 6/ Consumers' price index for moderate-income families in large cities. 7/ U. S. Dept. of Commerce, Bureau of Census. 8/ U. S. Dept. of Treasury. Data for 1946 are on average monthly basis.

* Preliminary.

OUTPUT AND EMPLOYMENT

Industrial production in June again declined slightly. The Federal Reserve Board's index of total production, seasonally adjusted, dropped one point to 183 (1935-39 = 100), 6 points lower than the average for the first quarter and 7 points lower than the peak attained in March. Most of the decline occurred in the production of nondurable goods. The 3 point drop in that index from May to June extended the downturn for the third consecutive month. The June index was 167, 9 points lower than the average for the first quarter and 10 points lower than the January peak. Declines again were mainly in the rubber, liquor, shoe and textile industries.

Output of durable goods, which has been showing greater stability, fell only one point from May to June. The index was 217, 8 points below the postwar peak in March. Output in June was kept up by continued high activity in the steel industry and by recovery from slight declines in machinery and automobiles during May caused by shortages of materials and by work stoppages.

Industrial production in July probably will be lower than in June because of the effects of ten days of greatly reduced coal production. Steel output fell off sharply in the first week of July, and automobile production was reduced.

Because of increases of about 400,000 persons in nonagricultural employment and about 1.4 million in agricultural employment, total civilian employment reached a new postwar peak of 60.1 million in June (Dept. of Commerce data). This was 1.8 million more than May and 3.7 million more than June last year. The rise from May was not sufficient, however, to offset an increase in the labor force from students and others who went into summer work. As a result, unemployment increased from 2.0 million in May to 2.5 million in June.

INCOME AND RELATED FACTORS

Total income payments in May as reported by the Department of Commerce reached a seasonally adjusted annual rate of 178 billion dollars, about one percent larger than April and slightly larger than March. Virtually all of the rise was accounted for by salary and wage payments, which in May were about one percent larger than in April and two percent larger than in March. Increases in wages resulting from April wage negotiations more than offset wage declines caused by slightly reduced manufacturing activity.

Daily average sales in department stores in June declined from the record May level. The seasonally adjusted index reported by the Federal Reserve Board was 288 (1935-39 = 100) in June, one percent lower than May. Although it was 4 percent above June 1946, the increase appears to be due almost entirely to price rises during the year rather than to an increase in volume of goods sold.

COMMODITY PRICES

Prices received by farmers in mid-July were 276 percent of the 1909-14 average, 5 points higher than in June. Higher prices for livestock and livestock products, corn, cotton, rice, and potatoes, were only partly offset by lower prices for wheat, fruits, and truck crops.

Current production of summer crops, and prospects for production of all 1947 crops, significantly affect price movements. Rising corn and livestock prices in part reflect prospects for smaller feed supplies this year than last. The price of rice moved up following decontrol on June 30. Potatoes and sweetpotatoes, which will be less plentiful this year than in 1946, have shown price strength. But wheat prices have tended to soften because of the record crop. Fruit and vegetable prices have been falling as summer production comes on the market.

The level of prices of farm products has been relatively stable in the last few months. Previously it had been more variable. Averaging 260 in January of this year, the index of prices received rose abruptly to 280 in March. Higher prices for grains, cotton, oil-bearing crops, and meat animals contributed most to the rise. The index then fell to 271 in June but regained 5 points by mid-July. The decline from March to June was most pronounced in food grain, oil-bearing crops, dairy products and truck crop prices.

Domestic demand for farm products has been maintained at high levels by record employment and income in the first half of this year. In addition, foreign demand has been exceptionally large. Total agricultural exports plus military shipments to foreign civilians in the first five months were approximately 1,650 million dollars, 10 percent more than in the same months of 1946.

Because both domestic and export demand continue strong, and prospective total crop production for 1947, although raised by an improved corn report on July 15, is about 2 percent below the record output of last year, it appears likely that average prices received by farmers will remain high during the next few months.

Prices paid by farmers, including interest and taxes, in mid-July were 231 percent of the 1910-14 average, the same as the record in June. Prices for feeds and food were higher but building materials and household supplies were moderately lower.

The index of prices paid has been relatively stable since April, although it has shown a little more tendency to rise than has the index of prices received. The average index during the first six months was 225. Beginning with 215 in January, it rose each month until it reached 230 in April. It fell off one point in May, but rose 2 points in June. Price rises during the 6 months were large for building materials, feed, food, seed, and farm machinery, equipment and supplies.

The general level of prices paid by farmers is expected to remain high during the next few months.

The parity ratio--the index of prices received divided by the index of prices paid including interest and taxes--was 119 in July, compared with 117 in June.

Wholesale prices of all commodities, as reported by the Bureau of Labor Statistics, have been notably stable. The index averaged 148 (1926 = 100) in June, and was at the same figure for the week ending July 12.

The BLS consumer price index for June, the last month reported, was 157 percent of the 1935-39 average, one point above the level of the past three months (preliminary). The food price index rose from 188 in May to 190 for June.

AGRICULTURAL EXPORTS

Because future agricultural exports will affect significantly the level of farm prices and income, the means by which they may be financed is worth special comment.

Financing of Agricultural Exports

Agricultural exports, like all exports, are normally paid for by foreign purchasers out of current earnings, reserves, or loans received. Insofar as this situation holds true now, financing of present and future agricultural exports will be affected by the availability of general financing for all kinds of exports. But in the last few years, large quantities of the agricultural exports from the United States have been paid for out of especially earmarked portions of United States foreign gifts and loans.

In 1946, for example, out of the total agricultural exports of 3,529 million dollars, which includes 390 millions of military shipments of food to foreign civilians, approximately 1,497 millions or 42 percent was paid for with United States Government foreign gifts and loans earmarked for farm products. The remaining 2,032 million dollars was paid for from all other sources: Dollars supplied by the United States Government for foreign gifts and loans but not earmarked for farm products, such as the loans to Great Britain and France; dollars supplied by private United States citizens as foreign gifts and loans; and dollars from foreign current earnings and reserves of gold and dollar exchange.

Detailed composition of the earmarked United States Government financing of farm exports in 1946 is given in the first column of data in table 1.

Table 1.- Sources of finances for agricultural exports and military shipments of food to foreign civilians, 1946 and estimates for 1947

Commodity	Calendar year 1946 Million dollars	Calendar year 1946 Percent total	Estimated 1947 Million dollars	Estimated 1947 Percent total
Financed with Government funds earmarked for agricultural exports				
UNRRA agricultural exports	721		1/ 153	
Military shipment of food to foreign civilians	390		2/ 457	
Lend-lease (credit) Agric. exports	211		0	
Cotton exports to Germany & Japan 3/	113		50	
Export-Import Bank cotton ex. credits	62		68	
Post-UNRRA Relief	0		4/ 218	
Greek-Turkish Aid			4/ 5	
Total above	1,497	42	951	23
Financed with all other funds 5/	2,032	58	3,149	77
Total exports and military shipments to civilians	3,529	100	4,100	100

1/ Estimated unshipped balance on Dec. 31, 1947 of agric. products paid for from the U. S. contribution to UNRRA. The basis is F.A.S. at U. S. ports. 2/ The estimate reflects first quarter shipments, the first deficiency appropriation for fiscal 1947, and the conference committees request for $600 million for fiscal 1948. The basis is F.A.S. at U. S. ports. 3/ This cotton never left the ownership of various U. S. Govt. agencies. 4/ Requested by both House and Senate appropriation committees Figure shown is the portion of the total which is programmed for shipments of U. S. farm products in the calendar year 1947. 5/ Financed either with U. S. Government foreign gifts and loans not earmarked for the purchase of United States farm products; or out of private gifts or loans to foreigners; or paid for by foreigners out of their own reserves and current earnings of gold and dollar assets.

With $1\frac{1}{2}$ billions of earmarked foreign gifts and loans and possibly several hundred millions not earmarked, the United States Government directly or indirectly financed at least half of the exports of agricultural products and military shipments of food to foreign civilians in 1946.

In 1947, United States Government foreign gifts and loans already earmarked for the purpose are expected to finance no more than about one billion dollars of agricultural exports. Since this value is $\frac{1}{2}$ billion smaller than in 1946, total 1947 agricultural exports can hold up as high or higher than 1946 only if more of them are paid for out of other dollar exchange.

Sources of Dollar Funds for Financing the U. S. Export Surplus, 1946 and First Quarter of 1947

In 1946, exports of all goods and services from the United States were 15.26 billion dollars. Imports of goods and services were 7.13 billions. The excess of exports over imports--commonly known as the "export surplus"--thus was 8.13 billion dollars (see table 2). Of this surplus of exports, United States Government gifts and long-term loans provided 5.4 billion dollars, two-thirds of the total. Other gifts and loans from this country were an additional 0.7 billion. Sales of gold and short- and long-term dollar assets by foreigners accounted for the remaining 2.2 billion dollars of the export surplus.

In the first quarter of 1947, the U. S. export surplus was about 3 billion dollars, a rate equal to about 12 billions annually. Of this surplus of 3 billions, United States Government foreign gifts and long-term loans were 1.4 billion dollars, a little less than half. To make up most of the rest, foreigners used their gold and dollar resources much faster than before--1.2 billions in the first quarter, which is an annual rate of 4.8 billion dollars compared with 2.2 billions in 1946. This liquidation of gold and dollar assets by foreign purchasers financed 39 percent of the export surplus in the first quarter of 1947 compared with 27 percent in 1946 (see table 2).

On March 31, 1947 the balances of gold and dollar assets available to foreign countries, insofar as information has been released, were those shown in the last column of table 2.

The availability of each of these classes of assets is limited. None of them could be completely used for payment for United States goods and services. For instance, the 16 billion dollars of gold held by foreign countries serves both as reserves for their currencies and as working capital for international transactions. Therefore, under no circumstances would all of it be available for international payments in any given period. Also, the countries holding dollar reserves are in some cases not those in greatest need of United States exports.

Of the various assets, unused United States Government foreign gift and loan commitments are the most available. The order of relative availability is as shown below:

	Million dollars
(1) Unused U. S. Govt. foreign gift and loan commitments	5,098
(2) Official and private foreign owned balances in U. S. banks	6,470
(3) Gold reserves of central banks outside the U. S.	16,000
(4) Foreign holdings of long-term dollar assets	8,300

Table 2.- Sources of financing for the United States export-surplus in 1946 and in the first quarter of 1947 and specified funds on hand on March 31, 1947

	Calendar year 1946 1/		First quarter 1947 1/		Unused U. S. Government foreign gift and loan commitments plus foreign reserves of gold and dol. assets Mar. 31,1947
	Value	Percent	Value	Percent	
	Mil. dol.		Mil. dol.		Mil. dol.
Value of the U. S. export surplus:					
U. S. exports of goods and services	15,264		4,878		
U. S. imports of goods and services	7,131		1,911		
Export surplus	8,133		2,967		
Sources of financing for the export surplus:					
U. S. Govt. long-term foreign loans (net) 2/	2,917	35.8	950	32.1	3/ 4,520
U. S. Govt. gifts to foreign countries (net)	2,437	30.0	473	15.9	4/ 578
Other gifts and loans to foreign countries (net) 5/	728	9.0	477	16.1	n.a.
Sale by foreigners of gold (net) 2/	623	7.7	606	20.4	6/ 16,000
Sale by foreigners of their U.S. short-term assets (net) 2/	1,206	14.8	565	19.0	7/ 6,470
Sale by foreigners of their U. S. long-term assets (net)	340	4.2	-002	-0.1	8/ 8,300
Unidentified transactions	-118	-1.5	-102	-3.4	
Total	8,133	100.0	2,967	100.0	35,868

1/ Data from U. S. Balance of International Payments.
2/ U. S. subscriptions to the capital of the International Bank and International Monetary Fund are excluded.
3/ Includes the unutilized commitments of the Export-Import Bank; the unutilized surplus property credits and lend-lease credits; and the undrawn balance of the British loan.
4/ Includes unused appropriations for military relief of foreign civilians in occupied areas and UNRRA's unused balance.
5/ Includes net private gifts and net private long-term loans to foreigners and net U. S. Government and private short-term foreign loans.
6/ Gold reserves of central banks outside the U. S. as of December 31, 1946. Foreign private gold holdings are not available.
7/ Short term liabilities to foreigners, official and private, reported by banks in the U. S. on January 31, 1947.
8/ This is an estimate by the Department of Commerce of foreign holdings of U. S. long-term assets on December 31, 1946.

If the rate of a 3 billion dollar export surplus in the first quarter is maintained, the surplus in the last 9 months of this year will be 9 billion dollars. A surplus of this size would probably use up most of the United States Government foreign gifts and loans committed but unused as of March 31, and a large part of foreign-owned bank balances in the United States. According to indications in the first quarter, it also would probably use a considerable amount of foreign gold holdings. In the first quarter, net sale of gold by foreigners to pay for U. S. exports was about 600 million dollars (see table 2). This is almost as much as the value of all foreign gold produced in 1946 other than in Russia.

Such a rapid use of gold and reserves by foreign countries--which ultimately would curtail United States exports--could be reduced by either or both of these two developments:

(1) An expansion in our imports of goods and services.

Imports have been far below their peacetime relation to our industrial production. Apparently they have been limited by the slow recovery of the foreign production. A moderate increase in imports may be expected as foreign production improves. Imports of manufactured goods probably will not increase at as fast a rate as imports of raw materials.

"Imports" of services are mainly those received by our tourists and troops in foreign countries. Before the war, expenditures by our tourists were almost perfectly related to our national income. On that basis they ought to be much larger now than they are. But lack of food and travel and housing facilities abroad have dampened hopes of an important increase in tourist expenditures during the rest of 1947.

(2) Additional United States Government foreign gifts and loans.

As shown in table 3, on March 31, 1947 gifts and loans amounting to about 6 billion dollars were in various stages of progress. Not all of the 6 billion dollars would be committed as new loans or gifts within 1947, because, first, a prolonged period is necessary for negotiating large transactions; and second, the 2,750 million dollars of the International Monetary Fund is a revolving fund and therefore cannot be entirely outstanding at any one time. At best, these gifts and loans in progress would maintain the present export surplus for only a limited period. Additional new United States Government gifts and loans would be necessary if the export surplus were to be financed until foreign countries become self-sustaining.

Summary and Conclusions

Foreign gifts and loans of the United States Government already earmarked for farm products will finance one-half billion dollars less of agricultural exports in 1947 than in 1946. Total agricultural exports can be as large as in 1946 only if more of them are financed by other sources of dollar funds.

Table 3.- Funds that may become available for use by the United States Government or its agencies for future loans or gifts to foreigners March 31, 1947 1/

Item	Value
	Million dollars
Export-Import Bank (uncommited resources)	820
International Bank (Capital subscriptions in U. S. dollars paid in by all members by May 31, 1947)	725
International Monetary Fund (U. S. quota of gold and U. S. dollars paid in on March 31, 1947)	2,750
Military relief to foreign civilians in occupied areas (fiscal 1948 appropriation recommended by conference committee)	600
Post-UNRRA relief (fiscal 1948 appropriation recommended) 2/	332
Greek-Turkish Aid (fiscal 1948 appropriation recommended) 2/	400
Philippine Aid Program (authorized to be appropriated)	462
International Refugee Organization--U. S. share (fiscal 1948 appropriation recommended by conference committee)	71
Total	6,160

1/ These were either funds already appropriated but uncommited; or were authorized to be appropriated; or whose appropriation had been requested.
2/ Recommended by both the House and Senate appropriation committees.

Total sources of all funds for financing the United States export surplus appear still to be substantial. Yet, because the export surplus has been at the high value of about 3 billion dollars per quarter, they cannot be regarded as adequate to last for a very long period. Foreign gold and dollar reserves were already being used rapidly in the first quarter of this year. Current earnings of exchange through imports of goods and services into this country are not likely to increase very fast. Although the 6 billion dollars of United States Government gifts and loans now in various stages of progress may extend for some time the ability of foreign countries to buy United States exports, they probably cannot compensate for all other deficiencies. Unless the 6 billions now planned is supplemented by additional new programs, the export surplus of this country is not likely to be kept at the 3 billion quarterly level throughout 1947.

This prospect for a reduction in total financing, if the possibility of new loan programs is disregarded, does not necessarily mean that non-earmarked loans and other financing used for exports of farm products will be reduced. It does mean, however, that the value of non-earmarked funds used for exports of farm products will depend on the policy of foreign countries in diverting their dwindling supplies of dollar exchange to the purchase of farm products in preference to others. How likely they are to do so is not known; but because of the continued critical shortages of food supplies abroad, it is believed that foreign countries will try to maintain their large purchases of foods in the United States in 1947. If this is true, it is possible that agricultural exports will not fall off rapidly during the rest of this year, and will be as large a total in 1947 as in 1946.

FARM INCOME

During the first 7 months of 1947, farmers received about 14.7 billion dollars from the marketing of their products and from Government payments, 22 percent more than last year. The increase from marketings alone was 27 percent and was due largely to higher prices.

Receipts from marketings of all livestock and livestock products in the 7 months were 9.2 billion dollars, 30 percent more than in the same period last year. Prices averaged about 32 percent higher. Receipts from meat animals were up about 45 percent, dairy products 20 percent, and poultry and eggs 10 percent. When receipts from dairy products are compared with last year's receipts plus production payments, the gain this year is only 3 percent.

From January through July, cash receipts from crops were about 5.1 billion dollars, a gain of 22 percent over last year. Crop prices averaged 17 percent higher. The greatest increases were made in grain receipts, which were 50 percent larger than 1946. Grain prices were 25 percent higher.

In July, total cash receipts including Government payments amounted to around 2.6 billion dollars, nearly the same as last year and 20 percent above June. Receipts from livestock and products were 1.3 billion dollars, about the same as in June and also about the same as in July 1946. Receipts from crops were around 1.2 billion dollars, 65 percent above June and nearly 10 percent above July last year. Increases in income from the large winter wheat crop accounted for part of the total gain. Receipts from vegetables and from fruits also rose seasonally.

LIVESTOCK AND MEATS

Meat-animal prices in mid-July averaged only 1 percent below the record highs of last March. They were 28 percent higher than in July 1946, when prices were temporarily decontrolled--a gain larger than for the majority of farm products.

If demand continues near present levels, only a moderate seasonal decline is expected in meat-animal prices during the fall and early winter when grass cattle, lambs, and hogs from the spring pig crop are marketed in greatest volume.

Meat production during the rest of 1947 will not be reduced by smaller feed production. It is in fact expected to be about as large this fall and winter as a year earlier and much larger than average. A few more hogs probably will be slaughtered. at market weights averaging a little lighter. Because fewer cattle probably will be fed this winter than last, demand for feeder cattle will be reduced and will cause increased slaughter of grass fed cattle this fall.

DAIRY PRODUCTS

Demand for butter and cheese is strong and prices have risen in recent weeks. It is likely that more whole milk will go into manufacture of dairy products and less into fluid use during the next few months than in the same period of 1946.

Milk production is still very high. Fewer cows are being milked than in recent years but production per cow is a record. The high production rate is caused largely by exceptionally good pastures and by heavy feeding of grain concentrates.

In the second half of 1947, dairy farmers probably will receive somewhat lower prices than in the last months of 1946 after decontrol. The relationship between whole milk and butterfat prices will be much closer to normal than they were last year when butterfat prices fluctuated greatly.

POULTRY AND EGGS

Farmers received an average of 46 cents per dozen for eggs in mid-July, 9 cents above the same date of last year. Egg prices will continue higher than last year but the rate of seasonal increase from now until November and December is likely to be less than usual.

Small cold storage supplies will help hold up egg prices this fall and winter. More important, however, will be the effect of higher meat prices than last year.

Chicken prices may decline somewhat this fall as supplies of chicken and red meat increase. Supplies of chicken meat in the second half of 1947 will be smaller than in the same period of 1946. Turkey supplies for the coming holiday season will be substantially less than last year.

The number of layers on farms on July 1, 1947 was about the same as a year earlier. About the same number of chicks are being raised for flock replacement. Consequently, farmers are likely to start 1948 with about as many layers as on January 1, 1947.

FATS, OILS, AND OILSEEDS

Prices of fats and oils other than butter drifted slowly downward from mid-May to mid-July. This was in contrast to the sharp movements of these prices between December and May, when they advanced rapidly, then fell even faster. The price of lard in tankcar lots, Chicago, on July 15 was 16.5 cents per pound compared with a May average of 17.1 cents. Soybean oil on July 15 was quoted at 17.2 cents per pound (crude, Midwestern mills) compared with 21.4 cents in May. The wholesale price of butter at Chicago on July 15 was 68 cents per pound, 8 cents above the May average.

Production of fats and oils from domestic materials in 1947 may total 9.9 to 10.0 billion pounds compared with 8.8 billion pounds in 1946. In the first half of 1947, output of creamery butter, federally inspected lard, and factory tallow increased from 16 to 33 percent over a year earlier. Output of these fats in the latter half of 1947 will continue above 1946. Prospects are that vegetable oil production also will be higher in the second half of this year than last, since crop acreages are larger. The planted acreage of flaxseed this year is 63 percent larger than in 1946. Planted acreage of cotton is up 18 percent, and that of soybeans grown alone for all purposes is 11 percent greater. Crushing of these crops will get under way in volume in September and October.

Total imports of fats, oils, and oilseeds in terms of oil in the first half of 1947 were much larger than a year earlier and the largest since 1941. Imports of coconut oil (mostly in the form of copra) and tung oil were greater than the prewar average. Exports were large in relation to prewar but moderately less than in the first half of 1946. Domestic civilian disappearance of fats and oils in the United States in 1947 is likely to be below the prewar average of 70 pounds per person (fat content), but somewhat higher than the 1945 and 1946 level of 64 pounds.

CORN AND OTHER FEEDS

Demand for feeds has continued strong. However, prospects are for a production of feed grains smaller than in 1946. Prices of cash corn moved up in June and by early July were only slightly lower than the record reached in July 1946. Prices of most byproduct feeds also rose, but were still well below the high levels of last summer and fall. With favorable weather during the balance of the growing season, corn and other feed grain prices probably will decline seasonally during the latter part of 1947, but may average somewhat higher this winter than last.

Demand for feed grains has been exceptionally strong during the past several months. The rate of feeding per animal has been heavy and unusually large quantities of feed grains have gone into domestic food and industrial uses.

From April through June, exports of corn were very heavy, but only a relatively small quantity may be exported during the remainder of 1947.

Crop conditions in July pointed to a feed grain production 15 percent below the 1946 record and the smallest in recent years. But with more old corn carried over and a larger production of byproduct feeds, the feed supply in prospect compares fairly favorably with most other recent years. The total supply of all feed concentrates (including feed grains, wheat and rye for feed, and byproduct feeds) is expected to be about 149 million tons, 8 percent smaller than the high 1946-47 level, but 9 percent above the 1937-41 average. Because livestock numbers, declining since 1943, are expected to fall a little more during 1947, indicated feed supplies per animal unit for 1947-48 are a little greater than the average for the past 10 years.

The hay supply for 1947-48 is expected to be about the largest on record per hay-consuming animal unit. Pastures were unusually good in July.

WHEAT

The price of wheat at Kansas City declined seasonally from late May to July 7, when it was less than 10 cents above the loan rate. Prices then advanced as mills and elevators increased their buying. Part of the mill buying was to cover commitments for flour exports. Market receipts of wheat have been limited, since selling by growers has been slow and box cars have been scarce. Recognition that a small corncrop would increase the demand for wheat has also tended to strengthen wheat prices.

The price at Minneapolis, the principal market for spring wheat, has only recently started its seasonal decline.

The national loan rate on a farm basis averages $1.83, which is interpreted as $2.03 for No. 1 Hard Winter at Kansas City and Omaha and $2.08 at Chicago; $2.05 for No. 1 Heavy Dark Northern Spring at Minneapolis, and $1.98 for No. 1 Soft White or Western at Portland.

Wheat production was estimated as of July 1 at 1,436 million bushels--the largest U. S. wheat crop on record. A corn crop smaller than last year will result in more wheat being fed to livestock, so that total domestic disappearance in the 1947-48 marketing year may reach 850 million bushels or even more. On the basis of the indicated crop and the July 1 carry-over of 83 million bushels, this would leave about 660 million bushels for export in 1947-48 and for carry-over on July 1, 1948. With less corn for export, wheat exports (including flour) may total 450 million bushels, 50 million greater than in 1946-47. On this basis, the carry-over on July 1, 1948 would be about 200 million bushels. The average carry-over in 1932-41 was 235 million.

Wheat prospects in the Northern Hemisphere are for a harvest slightly above average, with prospects best for North America and poorest for Europe. Prospects in Canada are good; condition of all wheat on June 30 was 125 compared with 122 in 1946 and 100 in 1945. Prospects for wheat in Western Europe are poor, reflecting very heavy winter damage, but in Central Europe the crop may be about the same as in 1946. The total European crop, excluding Russia, will be much below the prewar average of 1,670 million bushels, and may be as much as 10 percent or more below the 1946 harvest of 1,350 million bushels. Based on present indications, wheat production in Russia will be larger than in 1946, although still considerably smaller than prewar. Total production in both Asia and Africa is expected to be near the 1946 level, with reduced crops in some areas being offset by better crops in others.

FRUIT

Prices growers will receive for fruit this summer are expected to continue lower than a year earlier, partly because of a large production.

Export demand for United States fruit in 1947-48 may be somewhat weaker than in the season just closed. Faced with shrinking reserves of dollar exchange, some importing countries are buying from countries where they have exchange balances or where they can obtain the fruit through barter.

Processor demand for fruit for canning and drying is not likely to be quite as strong as last year. The pack of canned deciduous fruits this year is expected to be slightly smaller than last year's record, with the largest decrease in apricots.

Prices to growers for deciduous fruits, production of which is expected to total 4 percent less this year than last, probably will average only slightly lower. Peaches may bring slightly lower prices, because of the record crop and bunching of shipments. Prices for table grapes this summer may be moderately lower than last summer. Prices for raisin grapes may be sharply lower than last year because of an expected larger crop and the slow movement of the 1946 pack of raisins.

Although prices received by growers for citrus fruit may increase slightly this summer, prices in general are expected to continue substantially lower than those of a year earlier, mainly because of the larger supplies remaining to be marketed. Supplies of California Valencia oranges to be marketed after July 1 were about one-half again as large as on the same date last year.

TRUCK CROPS

For Fresh Market

Prices received by farmers for most commercial truck crops grown for fresh market are expected to decline more rapidly than usual this summer. The level of truck crop prices has been appreciably above that of a year earlier each month since last February, mainly because of lower production and the lateness of the season in the eastern half of the United States. But prices will probably return to about the 1946 level by September.

Total production of 19 crops for summer harvest is expected to be only 4 percent smaller than last summer. This would be 20 percent above the 1936-45 average. However, the relatively good showing of the group is made possible largely by the prospective near-record production of cantaloupes and watermelons. These two crops, plus lima beans, sweet corn, eggplant and green peas, are the only crops which will be larger than last summer.

For Processing

Combined wholesaler and packer stocks of canned vegetables carried over from the 1946 pack season are much larger than last year's when stocks of corn, whole tomatoes and other items were unusually low. Of the 5 major items--green and wax beans, corn, peas, tomatoes, and tomato juice--only green peas and tomato stocks appear unusually large.

POTATOES AND SWEETPOTATOES

Farmers probably will receive moderately higher prices for potatoes in the next few months than they did a year earlier. As a result relatively little price supporting activity will be necessary, although a few temporary surpluses may develop.

The total 1947 potato crop is indicated at about 352 million bushels, 124 million bushels less than last year's record crop and the smallest crop since 1939. The crop in the 12 early States is estimated at about 58-1/2 million bushels. This is almost 22 million bushels less than last year, and only about 8 million more than the 1936-45 average. Only about 1 million bushels--mostly B size and No. 2 grade--have been purchased for price support in these States. The crop in the intermediate States is expected to be 9 million bushels, about one-fourth smaller than last year and almost one-tenth below average. The indicated crop of 285 million bushels in the 29 late States is 93 million bushels smaller than last year and 30 million bushels smaller than the 10-year average.

Prices to farmers for 1947 crop sweetpotatoes are expected to be at least as high as last year, and generally above support price levels. Because acreage is a little smallr, the 1947 crop is indicated at about 62 million bushels, 7 percent smaller than last year's crop and 4 percent smaller than the 10-year average.

All of the reduction in sweetpotato acreage this year is in the important South Central region. The principal causes for smaller acreage there are the late wet spring and the heavy weevil infestation.

DRY EDIBLE BEANS AND PEAS

Prices to growers for specified varieties of 1947 crop dry smooth peas and dry edible beans will be supported if necessary by the Department of Agriculture. Basis for support is 90 percent of the comparable price for peas as of July 1, and 90 percent of the parity price for beans as of August 15.

The July 1 comparable price for dry smooth peas has been calculated at $4.81 per 100 pounds, thresher-run. This is 90 cents above the comparable price a year earlier on a thresher-run basis. The following varieties of thresher-run, sound, whole peas grading U. S. No. 1 after normal cleaning will be supported at $4.40 per 100 pounds: Alaska, Bluebell, Scotch Green, First and Best, Marrowfat, and White Canada. Colorado white peas will be supported at $4.15. For peas grading U. S. No. 2 after normal cleaning, the support price is 25 cents less than for U. S. No. 1.

Base support price for dry edible beans will not be announced until August 15, but price differentials for various classes and grades have previously been released.

The 1947 crop of dry beans is forecast at 16.1 million bags (100 pounds, uncleaned), 2 percent larger than the 1946 crop but 1 percent smaller than the average for 1936-45. The dry pea crop is estimated at 6.2 million bags, 10 percent smaller than that of 1946 but 28 percent larger than average. If the new crops turn out as forecast, very few if any beans may be available for export but substantial quantities of peas again will be available.

Stocks of old beans and peas in the hands of growers are practically exhausted. In July growers received an average of $12.70 per 100 pounds of beans, nearly twice the support level. For peas they received $4.81 per 100 pounds, only moderately above the support price.

COTTON

After declining slightly during the last few days in June and the first week in July, cotton prices increased sharply following the official 1947 planted acreage announcement on July 8. Trading increased immediately and prices at the 10 markets advanced 2.16 cents during the next six trading days to an average of 39.35 cents per pound on July 16. After reaching that peak they again declined, moving to 36.99 cents on July 28. Prices in the 10 markets averaged 37.71 cents per pound for the period July 1-28 compared with 37.16 cents per pound for the same period in June.

The Crop Reporting Board estimated the 1947 planted acreage at 21,389,000 acres, 18 percent larger than in 1946. This is the highest planted acreage since 1943 and is 6 percent larger than the average for 1942-46.

The volume of sales in the 10 spot markets during the last part of June and early July averaged 40,000 bales per week, 10 percent higher than the average weekly sales for a month earlier. Mill buying continued small.

The parity price of cotton on July 15 was 28.64 cents per pound, the same as a month earlier.

The textile markets showed some increase in activity during the last part of June and in early July. Demand for print cloth and sheeting was stronger than for other construction. Prices for textiles increased some with the announcement of the 1947 cotton acreage. As a result, sales were reduced slightly.

Domestic mills used 34,700 bales per working day in June 10 percent less than the May daily rate and 14 percent below the daily rate for the first 10 months of this season. The decline for June was more than seasonal and reflects some caution on the part of mills regarding the price outlook for textiles during the fall months. The 728,000 bales consumed in June brought the total for the first 11 months to 9.4 million bales. Mill use in July is expected to be close to that for June. Consumption for the 1946-47 season is estimated at 10 million bales. With domestic use of this amount and net exports of 3.1 million bales, the United States carry-over August 1, 1947 would be about 2.8 million bales, about two-fifths as large as the carry-over last August 1 and the lowest since 1929.

WOOL

There is still a very strong demand for fine combing wools in world markets. Prices of these wools have continued to advance prices of fine good style Australian spot wools at Boston were up another 5 cents during June. On a comparable basis, they are now higher than prices paid until recently to United States producers for the better style wools under the Government support program. This strength for the better wools is in contrast with inferior and coarser grades, prices of which have shown little change for some months.

An active market for fine and half-blood domestic wools developed during June, and may continue for some months. Since the current apparel wool selling season in the British empire is about over and prices for fine wools are not likely to be much lower when the new season opens in September, offerings of domestic fine and half-blood wools are proving to be attractive to dealers and mills at prices not greatly different from recent Government supports. During June, dealers and mills bought about 30-40 million pounds of wool directly from growers and also took some from Commodity Credit Corporation stocks. Even so, in those States east of the Continental Divide where medium wools predominate, farm prices for wool are generally lower and demand is slack. A high percentage of these wools is being sent to Boston on consignment.

Legislation that would provide for Government support of domestic wool prices for the rest of 1947 and all of 1948 has been enacted by Congress and submitted to the President. Support levels in the bill are the same as actual support in 1946, which is about equal to the farm parity price of wool on July 15 of this year. A provision of the bill is that until December 31, 1948 the Commodity Credit Corporation may dispose of wool owned by it without regard to any restriction previously imposed by law. This would remove the legal prohibition against sales below parity which retarded sales by the CCC until recently.

TOBACCO

The Georgia-Florida flue-cured tobacco auction markets opened on July 24. Prices for the first week of sales averaged 43.9 cents per pound compared with 45.4 cents per pound for the opening week last year. Support for flue-cured at 90 percent of the parity pride is 40 cents per pound, 25 percent above last year's level.

During the last half of June and first three weeks in July, Maryland tobacco prices were steady at between 46 and 48 cents per pound. Through July 25 about 28 million pounds of the 1946 crop have been sold at an average of 46.8 cents--18 percent lower than the season average for the previous year's crop.

During May the tax-paid withdrawals of cigarettes were more than 15 percent below May 1946. This is the first significant decline below the corresponding month of the previous year since the end of the war. Total cigarette consumption in the first five months of 1947 exceeds the same period in 1946 by a small margin. Tax-paid withdrawals of large cigars in May showed a substantial increase above April but were about 5 percent lower than May 1946. For the first five months of 1947 cigar consumption was 6 percent below the same period in 1946. Smoking and chewing tobacco tax-paid withdrawals in May were 30 percent lower than May 1946. Consumption of smoking and chewing products in the first four months of 1946 was nearly the same as in the same period of 1946. Snuff was slightly higher in May than in April and topped May 1946 by 9 percent.

Exports of tobacco leaf were down sharply in May--22 million pounds compared with 34 million pounds in April and 61 million pounds last May. Exports to the United Kingdom fell greatly because of steps taken in April to conserve dollar exchange. Dollar shortages may continue to affect tobacco exports adversely.

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